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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91150278
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PUBLIC VERSION

**CONTAINS REDACTED PORTIONS
PURSUANT TO PROTECTIVE ORDER**

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

WAL-MART STORES, INC.)	
)	
Opposer.)	OPPOSITION NO. 91/150,278
)	OPPOSITION NO. 91/154,632
v.)	
)	Trademark:
FRANKLIN LOUFRANI)	SMILEY & Design Serial No. 75/302,439
)	SMILEY & Design Serial No. 75/977,376
Applicant.)	
)	
FRANKLIN LOUFRANI)	
)	OPPOSITION NO. 91/152,145
Opposer.)	
)	
v.)	Trademark:
)	Smiley Design Serial No. 76/320,901
WAL-MART STORES, INC.)	
)	
Applicant.)	
)	

**REPLY BRIEF OF WAL-MART STORES, INC. AS PLAINTIFF
IN OPPOSITION NOS. 75/302,439 AND 75/977,376**

Dated: September 4, 2007

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I. FACTS AND ARGUMENTS IN REPLY

On June 3, 1997, Applicant, Franklin Loufrani ("Loufrani") filed an intent-to-use application with regard to the following alleged mark for hundreds of goods and services (the "Alleged Mark"):



However, in response to an Examining Attorney's Office Action, issued on June 12, 2000, Loufrani disclaimed the "smiley face" design, but not the word "SMILEY." Opposer, Wal-Mart Stores, Inc. ("Wal-Mart"), has, as further demonstrated in this Reply Brief, shown that: (a) the word "SMILEY," shorthand for "smiley face," describes the disclaimed material (the "Disclaimed Design"); and (b) the Trademark Trial and Appeal Board ("TTAB" or "the Board") should refuse registration of the Alleged Mark.

A. Loufrani Is Incorrect In His Claim That The Addition Of The Term "SMILEY" To The Disclaimed Design Creates An Inherently Distinctive Composite Mark; Moreover, Loufrani's Claim Is Unsupported By Applicable Law and Fact

1. Loufrani Mischaracterizes Wal-Mart's Position With Regard To The Failure Of Loufrani's Alleged Composite Mark To Possess "Inherent Distinctiveness"

Loufrani mischaracterizes Wal-Mart's argument as stating that "Loufrani should be prohibited from registering his alleged composite mark simply because the mark includes an unregistrable component." Loufrani Br. at 12. Loufrani, however, is erecting and tilting at a "strawman" argument. In actuality, Wal-Mart argues that Loufrani should be prohibited from registering the Alleged Mark because the claimed distinctive element: (a) does nothing but describe the component he has disclaimed as unregistrable; and (b) does not create any distinctive commercial impression. In short, Loufrani seeks to claim inherent distinctiveness of the Alleged Mark as a whole by simply taking the disclaimed "smiley"

or “smiley-face” design and adding the literal equivalent term “SMILEY.” As further demonstrated below, Loufrani’s actions and arguments are incorrect under applicable law and the facts in this record.¹

2. The Word “SMILEY” In The Alleged Mark Is, Under The Fact and The Applicable Law, The Legal Equivalent Of The Disclaimed “Smiley Face” Design
 - a. Survey And Testimony Evidence

Loufrani’s claim that “[t]he word ‘SMILEY’ does not aptly describe the Disclaimed Design” is unsupported by, and wholly contrary to, the record. For example, *Perceptions of Smiley*, a Survey Report prepared by R.L. Associates in connection with this proceeding, and made part of the record hereof, contains overwhelming evidence that: (a) the public uses the term “smiley face” as the actual name for the Disclaimed Design; and (b) Loufrani’s use of the term “SMILEY” merely connects the term “smiley face” to the Disclaimed Design in the minds of consumers. The following excerpt from the Report is instructive in that it shows public response to the question of what the Disclaimed Design is called:

What is the Symbol Called?

Responses to Question 1 “What do you call this?” were brief and succinct, and thus amenable to simple coding. For our purposes of analysis we coded the responses into six categories. The results of this categorization are shown in Table I:

¹ Moreover, Loufrani has not, and can not, show that he has engaged in activities similar to the sustained and extraordinary advertising and promotional efforts undertaken by Wal-Mart to create goodwill and secondary meaning for use of the “smiley face” design with Wal-Mart’s retail department store services, in International Class 35. See Wal-Mart Br. As Def. In Opp. No. 91/152,145.

TABLE I

	<u>SMILEY NO WORD</u>	<u>SMILEY +WORD</u>
Number of Respondents	(134)	(134)
SMILEY FACE	57%	69%
SMILEY	1	8
OTHERS USING SMILE/SMILING	6	5
BOTH SMILEY HAPPY	-	5
HAPPY/HAPPY FACE	31	10
OTHER	4	4

As shown in Table I, a majority of respondents said that they referred to (a) Wal-Mart's "smiley face" design without the word SMILEY and (b) Loufrani's Disclaimed Design with the word SMILEY as a "smiley face." While the difference is not statistically significant, *clearly the use of the typed word "SMILEY" if anything enhances consumer labeling of the design as a 'smiley face.'*"

See R.L. Associates Report, *Perceptions of Smiley* p. 7 (emphasis supplied); Rappaport Tr. 32-35. Moreover, Dr. Rappaport testified fully as to the nature and methodology of the survey and the resulting Report, including the rigorous and well-accepted approach to data gathering (mall-intercept), Rappaport Tr. 16-18; establishing the universe and sample, Rappaport Tr. 18-22; the questionnaires, Rappaport Tr. 24-30, the controls, Rappaport Tr. 22-24; the interviewing, Rappaport Tr. 30-32; and the validation, Rappaport Tr. 32.

In addition, the testimony deposition of Troy David Steiner, then Senior Media Director for Wal-Mart, responsible for all media at Wal-Mart (both internal and external), and the accompanying exhibits, add detail to the usage of the term "SMILEY." As Mr. Steiner confirmed, the Disclaimed Design is commonly referred to as "SMILEY." Steiner Tr. 3. In addition, further evidence of common usage of the term "SMILEY" for the design is contained in the testimony of Gary F. Sholtes. Mr. Sholtes was the leader of the Wal-Mart team at the Bernstein-Rein Advertising Agency, an advertising agency that had been

used by Wal-Mart for over thirty years. Sholtes Tr. pp. 29, 31. In response to questions from Loufrani's counsel as to what the design is called, Mr. Sholtes testified that "[i]nternally or within Wal-Mart and Bernstein-Rein or when we're talking about it, it serves the purpose of that, how we identify him as smiley." Sholtes Tr. 128.

Megan Desai, Loufrani's own witness, conducted an Internet search regarding the "smiley face" design and testified that she purposely deleted a number of references from the results that did, in fact, use the term "smiley face." Desai Tr. 25-26. Moreover, Ms. Desai testified that the term "SMILEY" alone was not included in her search. *Id.* Nonetheless, a careful examination of her "happy face" Exhibit, Desai Ex. 1, demonstrates that a number of examples showing use of the terms "smiley face" and "SMILEY" to describe the Disclaimed Design slipped past the filtering used to compile Loufrani's Exhibit:

DESAI032 ("Smiley-Face-World");

DESAI1038 ("Smiley Face" Amenity Signs);

DESAI043 ("Retro—Smiley Face" candles);

DESAI053 (hand decorated "smiley face" cookies);

DESAI067 ("Mini Smiley Faces" stickers);

DASAI068 ("Smiley Face," "Chaos Smiley," "A Smiley Face" stickers);

DASAI069 ("Chaos Smiley" Sew-On Print);

DASAI070 (newspaper reference to "yellow smiley face" and its original creator, Harvey Ball);

DASAI071 (newspaper reference to "Original Smilies" and its original creator, Harvey Ball);

DASAI072 (Notice, with image, that "[t]he U.S. Postal Service unveiled the first smiley face postage stamp . . .");

DASAI074-77 (Listing of numerous "smiley face icons").

Moreover, when Ms. Desai was shown an advertisement for a pail with a "smiley face" design and described in the ad as a "smiley face pail," Ms. Desai concluded that she had heard the term "smiley face" used to refer to the yellow circular image with a smile. Desai Tr. 31. When confronted with

numerous “smiley face” references and materials found in even Loufrani’s own evidence, Ms. Desai acknowledged that a newspaper article describing the origins of the design and describing its creator, Harvey Ball, noted that “The *smiley face* button fad took root in the early 1970s.” Desai Tr. 32 (emphasis added). An excerpt from the description in this exhibit also describes Harvey Ball’s creation of “the Smiley Face”: “Turning the drawing upside down, the smile became a frown. Deciding that wouldn’t do, Ball added two eyes and the *Smiley Face* was born.” See DESAI071 (emphasis added). Unremarkably, Ms. Desai also concede that the U.S. postage stamp depicting a “smiley face” design is referred to by the U.S. Postal Service as “[t]he first *smiley face* postage stamp.” Desai Tr. 32, Ex. 1, DASAI072 (emphasis added).

Further damaging to his position are Loufrani’s own statements, which acknowledge that the Disclaimed Design is sometimes known as “SMILEY” or “smiley face.” Applicant’s Response to Opposer’s Second Set of Requests for Admission, Request No. 1. Given those statements, Loufrani would be disingenuous to claim the Disclaimed Design does not equate with the wording “SMILEY” or “smiley face” design.

In light of the evidence in this proceeding, Loufrani’s position that the word “SMILEY” confers some distinctiveness and does not simply describe the Disclaimed Design is baseless and should be disregarded. Rather, as discussed above, the evidence clearly demonstrates that the addition of the term “SMILEY” to Loufrani’s Disclaimed Design merely invokes a proper name of the “smiley face” design.

- b. Loufrani Relies On Misconstrued Or Inapposite Precedent To Support His Claim That “SMILEY,” When Coupled With the “Smiley Face” Image It Describes, Is Inherently Distinctive

Without any supporting evidence or testimony, and contrary to the evidence discussed above in Section A.2.a., above, Loufrani claims that “[t]he Disclaimed Design, combined with the literal element “SMILEY” is inherently distinctive, therefore creating a commercial impression separate and apart from the Disclaimed Design.” Loufrani Br. at 13. Loufrani suggests that the word “SMILEY retains its inherent

distinctiveness” when “[c]oupled with the Disclaimed Design,” and cites *In re Miller Brewing Co.*, 226 U.S.P.Q. 666 (T.T.A.B. 1985), *In re Venturi, Inc.*, 197 U.S.P.Q. 714 (T.T.A.B. 1977), and *Sweats Fashions, Inc. v. Pannill Knitting Co.*, 833 F.2d 1560, 4 U.S.P.Q.2d 1793 (Fed. Cir. 1987), as involving issues, circumstances and designs similar to those raised in the instant case. However, the cases Loufrani cites as supporting the claim that the Alleged Mark is “inherently distinctive” are inapposite.

All three cases share a fact pattern contradictory to the circumstances under which Loufrani claims rights in the Alleged Mark, *i.e.*, that the trademark owner registered, or attempted to register, a design element but disclaimed the literal element. See *Miller Brewing*, 226 U.S.P.Q. at 670 (holding only that Miller’s “configuration of the disclaimed word ‘LITE’ is registrable”); *Sweats Fashions, Inc.*, 833 F.2d at 1561; *Venturi*, 197 U.S.P.Q. at 717 (noting that the applicant had engaged in very extensive public use and promotion of the mark at issue and was only asserting rights in “a distinctive arrangement or combination of the two words ‘THE’ and ‘PIPE’ with a somewhat fanciful representation of a pipe”). This distinction is particularly important because allowing an applicant to inappropriately register a design that the applicant has disclaimed—by adding only a term that is synonymous with or a name for that design—will have an inappropriately chilling effect on commerce, removing from the public possession designs and terms for which the applicant has neither: (a) established secondary meaning through use and public association; or (b) shown inherent distinctiveness.

Under Loufrani’s logic, a person could trademark absolutely any disclaimed design merely by adding the common name of that design in small font, despite the fact that the overall commercial impression of the mark will be dictated by the design element. Adding a term or phrase describing the design does not render the Alleged Mark inherently distinctive as a whole. The *Miller Brewing*, *Sweats Fashions*, and *Venturi* decisions do not support Loufrani’s positions, because in those cases the overall commercial impression of the marks at issue were created by a distinctive design element, as opposed to a descriptive, disclaimed term.

In addition, none of the cases cited by Loufrani actually state that the composite design at issue was inherently distinctive. Instead, in *Miller Brewing*, the TTAB held that the mark was *not* inherently distinctive, but registered the mark based on factors that are indicative of secondary meaning, such as the fact that the “applicant has used the mark for more than ten years, and applicant’s sales and advertising of goods bearing the mark have been massive,” as well as the fact that “the mark has been used on collateral goods in the nature of promotional items.” 226 U.S.P.Q. at 670. Similarly, in *Venturi*, the court noted, *inter alia*, that the applicant used the mark in question “in connection with smokers’ pipes for a period of more than eight years,” that “sales of applicant’s goods bearing the mark exceeded 15 million units at a gross dollar volume of more than 8 million dollars,” and that “applicant expended nearly 1 million dollars in advertising featuring its mark” that “appeared in national consumer magazines . . . daily newspapers . . . trade journals . . . and [] television commercials.” 197 U.S.P.Q. at 715.² These circumstances are similar to Wal-Mart’s sustained and substantial use and promotion of its mark for retail department store services. *See* Wal-Mart Br. As Def. in Opp. No. 91/152,145 (“Wal-Mart Defendant’s Brief”). In comparison, Loufrani has not established secondary meaning, nor has he placed any evidence in the record that would even suggest his potential for acquiring secondary meaning with respect to the goods or services specified in his application.

Loufrani’s reliance on inapposite precedent extends to his argument that registration of other marks with the USPTO is *prima facie* evidence that the composite of his Disclaimed Design and the additional, subordinate “SMILEY” term is registrable. The case Loufrani cites for his false proposition, *The Deal LLC v. Korangy Publishing Inc.*, 309 F. Supp. 2d 512, 69 U.S.P.Q. 1775 (S.D.N.Y. 2004), does not support his claim of registrability. Rather, the *Deal* case involved a trademark holder’s effort to

² *Sweats Fashions* does not address this issue, and Loufrani has no basis to assume that the mark in question was, in fact, found to be inherently distinctive as opposed to registrable on the basis of secondary meaning. Another case cited by Loufrani, *Courtenay Comm. Corp. v. Hall*, 334 F.3d 210, 67 U.S.P.Q.2d 1210 (2d Cir. 2003), concerned only the sufficiency of pleadings and expressly did not decide the merits of the trademark enforcement proceedings at issue.

enforce its *registered* mark against an alleged infringer. In this case, Loufrani's Alleged Mark has not been registered and Loufrani has not advanced any evidence to support registrability. Indeed, the registrability of the Alleged Mark is still in question and is the primary issue treated in the Reply Brief.

c. Loufrani's Proposed "Exclusive Reference Test" Is Contrary To The Applicable Law And Evidence In The Record

Loufrani improperly attempts to impose an "exclusive reference" test as a means of suggesting that there is only one name for any particular design, including Loufrani's Disclaimed Design. *See* Loufrani Br. at 16. According to Loufrani: "[T]he doctrine of legal equivalents posited by Wal-Mart is inapplicable here, because Wal-Mart's own testimony reveals that the Disclaimed Design is not exclusively referred to as 'smiley.'" *Id.*

In addition to failing to advance any legal (or logical) support for his argument that there can only be one name for any particular item, Loufrani wholly mischaracterizes Wal-Mart's testimony and ignores the substantial evidence in this record that: (a) the public uses the term "smiley face" to refer to the design; and (b) the use of the term "SMILEY" under Loufrani's Disclaimed Design merely invokes the name of the design, *i.e.*, "smiley face." *See supra* Section A.2.a, above. Moreover, Loufrani's use of the shorthand term "SMILEY," instead of the phrase "smiley face" does not alter the commercial impression made in the minds of consumers. *See* R.L. Associates Report, *Perceptions of Smiley* p. 7.; Rappaport Tr. 32-35. Loufrani merely deleted the unnecessary term "face," leaving the term "SMILEY," which consumers readily recognize as the equivalent of the phrase "smiley face." *Id.*

Loufrani cites no authority for the proposition that Wal-Mart must show agreement in the minds of every person who views a mark in order to establish legal equivalence of the term "SMILEY" and the Disclaimed Design. Loufrani does, however, ignore binding authority cited by Wal-Mart in its Brief as Plaintiff in Opposition. For example, in *In re Rolf Nilsson AB*, 230 U.S.P.Q. 141 (T.T.A.B. 1986), the TTAB held that an outline of a lion's head combined with the letter "L" was unregistrable. In so doing,

TTAB held that an outline of a lion's head combined with the letter "L" was unregistrable. In so doing, the TTAB determined "[t]hat some consumers may possibly perceive [the design] as the head of another animal [other than a lion] does not change our view." *Id.* at 143. Of equal importance, the TTAB stated that adding the letter "L" to an unregistrable lion's head "does not . . . sufficiently alter the overall impression engendered by the mark and, if anything, we agree with the Examining Attorney that the letter 'L' merely serves to reinforce the 'lion' connotation." *Id.* (emphasis supplied). The TTAB's decision refutes Loufrani's frivolous assertion that his posited "exclusive reference" test has any legal effect. Moreover, *In re Rolf's* conclusion that the letter "L" reinforces the lion connotation is analogous to the present situation, thereby confirming that Loufrani's use of the typed word "SMILEY," if anything, enhances consumer comprehension of the Disclaimed Design as a "smiley face." *See supra* Section A.2.a; *see also In re Duofold, Inc.*, 184 U.S.P.Q. 638 (T.T.A.B. 1974) (upholding Examining Attorney decision finding that a depiction of a stylized eagle was the equivalent of the term "EAGLE" and "GOLDEN EAGLE").

The case relied on by Loufrani to support the claim that the term "SMILEY" does not describe the "smiley face" design, *Rousch Bakery Prods. Co. v. Ridlen*, 203 U.S.P.Q. 1086 (T.T.A.B. 1979), only serves to undermine his argument. In *Rousch Bakery*, the TTAB found that the mark at issue, asserted by the petitioner as being "a picture of a hillbilly, which is synonymous in legal terms with the word HILLBILLY," was not unregistrable because the word HILLBILLY did not "aptly describe[] the respondent's human male design." *Id.* at 1087, 1090. In upholding the registrability of the mark, the TTAB engaged in a detailed analysis of the design, noting that "the man in respondent's design is wearing shoes and a chef's hat and he is carrying a pot and spoon," and found that "none . . . are characteristic of a hillbilly." *Id.* at 1090. In other words, the TTAB found that the design at issue was not, as a factual matter, synonymous with the word HILLBILLY. Loufrani's Disclaimed Design, in contrast, has all the features associated with a "smiley face" design—the round head, dot eyes, smiling face, and the lack of any feature or additional elements that would distinguish the Disclaimed Design from a commonplace

“smiley face” design. Moreover, Loufrani makes no attempt to explain or identify any features in the Disclaimed Design, which distinguish it from a “normal” “smiley face” design.

Loufrani’s reliance on the decision in *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 2 U.S.P.Q.2d 1677 (2d Cir. 1987), is equally flawed. Loufrani claims that the Second Circuit’s decision in *Mobil Oil* is predicated on the fact that the Mobil “symbol of the flying horse” is “known by a single synonymous name.” Loufrani cites no part of the *Mobil Oil* decision that supports the interpretation that the court believed that Mobil’s trademark was known only by the name “Pegasus,” however. Indeed, if Loufrani’s arguments were accepted, Mobil would be able to enforce its trademark against “Pegasus Petroleum” but not “Winged Horse Petroleum Co.” or “Flying Horse Petroleum Co.” This incongruous result is contradicted not only by precedent but also by plain common sense. Moreover, the TTAB has established that a product may have more than one generic name. See *In re Sun Oil Co.*, 426 F.2d 401, 165 U.S.P.Q. 718 (C.C.P.A. 1970); *S.S. Kresge Co. v. United Factory Outlet, Inc.*, 598 F.2d 694, 202 U.S.P.Q. 545 (1st Cir. 1979).

In sum, even if the TTAB were to apply the most stringent legal equivalent standard, as set out in *In re Harry N. Abrams, Inc.*, 223 U.S.P.Q. 832, 835 (T.T.A.B. 1984), the only logical result would be finding that the term “SMILEY” the legal equivalent of the Disclaimed Design. The “smiley-face” design is readily recognized by the average purchaser as the equivalent of a literal term. Moreover, the “smiley-face” design is of such a nature that consumers would be prone to “translate” the design into its literal equivalent and call for any goods with which the design is used by “SMILEY” or “smiley face.”

- d. The Lack Of Inherent Distinctiveness In Loufrani's Alleged Composite Mark Is Further Supported By Loufrani's Disclaiming Of The Alleged Mark's Dominant Element And Addition, In Much Smaller Lettering, Of A Proper Name For It

It is well established that although trademarks may contain multiple elements, literal and otherwise, one portion of the mark can be dominant and therefore control the commercial impression created in the minds of the public. *See In re National Data Corp.*, 753 F.2d 1056 (Fed. Cir. 1985). In this situation, “[a] mark consisting of a “smiley face” design with the word “SMILEY” immediately conveys to the consumer the same commercial impression conveyed by the image of the smiley design alone.” Wal-Mart's Br. as Plaintiff in Opp. at 19 n.9; *see also supra* Section A.2.a (empirical evidence of public perception of “smiley face” as the name for the disclaimed design)

Wal-Mart's argument that Loufrani's Alleged Mark simply comprises a disclaimed dominant element and a proper name for it is further supported by the fact (which Loufrani cannot controvert) that the Disclaimed Design is dominant, both as to its size and position, in relation to the term “SMILEY”:



Although most of the cases that address the issue of “dominant elements” do so in the context of determining a likelihood of confusion, the principle is still applicable in the instant case. Loufrani disregards the dominant portion of the Alleged Mark and claims that the commercial impression of the Alleged Mark as a whole is determined by the subordinate literal element “SMILEY.” In this case, the visual prominence of Loufrani's Disclaimed Design draws the attention of the consumer far more than the term “SMILEY,” which is secondary to the Disclaimed Design, both in size and in placement, and does nothing to controvert the fact that the term “SMILEY” is viewed by the public, in this context, as simply referring to the fact that the design is called a “smiley face.” *See supra* Section A.2.a.

Although Loufrani seeks to characterize the term “SMILEY” as inherently distinctive, “SMILEY” merely serves to reinforce the dominance of the “smiley face” design in the minds of consumers and provides the cue for the public’s association of the name “smiley face” with the design. *See supra* Section 2.A.a. Given that the Disclaimed Design is the dominant component of the Alleged Mark, it dictates the overall commercial impression in the eyes of consumers and therefore dictates the “distinctiveness” of the Alleged Mark as a whole. *See First Int’l Services Corp. v. Chuckles Inc.*, 5 U.S.P.Q.2d 1628 (T.T.A.B. 1988) (finding that the dominant portion of the mark SUKESHA (and SQUIGGLE DESIGN) was the design element as it was predominant in the minds of the purchasing public and therefore was likely to be confused with the opposer’s ZIG-ZAG DESIGN mark).

Moreover, the cases Loufrani cites to support his claim that the Alleged Mark serves as a source indicator for his goods and services are inapposite. Both *In re Swift & Co.*, 223 F.2d 950, 106 U.S.P.Q. 286 (C.C.P.A. 1955), and *In re Todd Co.*, 290 F.2d 597, 129 U.S.P.Q. 408 (C.C.P.A. 1961), dealt with determining the inherent distinctiveness of an ornamental mark found on a product currently in use in commerce. In contrast, the term “SMILEY,” Loufrani’s allegedly distinctive element, does not incorporate a design element nor is Loufrani’s application limited to usage in commerce on actual products submitted for the Board’s examination. Accordingly, the TTAB has no basis to assess whether the word SMILEY, as depicted in the Alleged Mark in a small font underneath the dominant Disclaimed Design, is inherently distinctive. Instead, Loufrani claims that the simple addition of the word SMILEY, appearing in small typeface, next to the dominant rendition of the Disclaimed Design, *a priori*, creates an inherently distinctive trademark in the eyes of consumers. The TTAB should not “define down” trademark law in this way and ignore the evidence of record or the general concept of synonyms. In sum, there is no evidence in the record, or elsewhere, that would counter Wal-Mart’s request that the TTAB apply the well-established doctrine of “legal equivalents” to Loufrani’s Alleged Mark. In fact, the evidence manifestly supports rejecting Loufrani’s argument that the Alleged Mark is inherently distinctive by virtue of the subordinate literal element “SMILEY.” *See supra* Section A.2.a.

B. Loufrani's Inappropriate Attack On Wal-Mart's Mark Misconstrues Wal-Mart's Position And Does Nothing To Strengthen His Unsupportable Arguments

Loufrani alleges that Wal-Mart's Mark is unregistrable on the basis of various unsubstantiated claims, *e.g.*, Wal-Mart failed to police non-infringing third-party use. However, as demonstrated in the Wal-Mart Defendant's Brief, Loufrani's claims are totally incorrect. Wal-Mart's application for registration of the "smiley face" design in connection with retail department store services, in International Class 35, is supported by extensive evidence of acquired distinctiveness. Moreover, Wal-Mart has no obligation under trademark law, or otherwise, to enforce its mark against non-infringing uses.³ *The Univ. Book Store v. The Board of Regents of the Univ. of Wisconsin System*, 33 U.S.P.Q.2d 1385, 1393 (T.T.A.B. 1994); *Tea Board of India v. The Republic of Tea, Inc.*, 80 U.S.P.Q.2d 1881, 1888-89 (T.T.A.B. 2006). Given the in-depth discussion in the Wal-Mart Defendant's Brief, Wal-Mart will only re-emphasize the key deficiencies in Loufrani's arguments.

Loufrani also argues that the "smiley face" design "is unregistrable because it cannot function as a mark." Loufrani Br. at 18. As to Loufrani, this statement is quite true. He is bound by his failure to establish that the Alleged Mark acquired secondary meaning and his decision not to challenge the Examining Attorney's requirement that Loufrani disclaim the "smiley face" design. However, as demonstrated in detail in the Wal-Mart Defendant's Brief, Loufrani's deficiencies do not taint Wal-Mart's ability to register the "smiley face" design in connection with retail department store services.

As noted in Wal-Mart Defendant's Brief, the Principal Register is filled with common designs that have acquired secondary meaning for a particular goods or services. *See* Wal-Mart's December 12, 2005 Notice of Reliance (noting that the shamrock, triangle, horseshoe, five-pointed star, and crescent designs are registered on Principal Register); *see also* Wal-Mart Defendant's Brief Section B.2. In

³ Ironically, Loufrani also raises the unsupported claim that Wal-Mart will seek to enforce its mark across the universe of public use, although Loufrani admits that it has no evidence of improper enforcement efforts.

addition, the record clearly demonstrates that Wal-Mart's "smiley face" design has acquired secondary meaning with respect to retail department store services, in International Class 35. In an expert survey by R.L. Associates, over 50% of survey respondents identified the "smiley face" uniquely with Wal-Mart for retail department store services. See R.L. Associates Report, *Perceptions of Smiley*, p. 8; Rappaport Tr. 35-37. This is far more identification than is necessary to establish secondary meaning. See, e.g., *Monsieur Henri Wines, Ltd. v. Duran*, 204 U.S.P.Q. 601 (T.T.A.B. 1979) (identification by 37% of respondents probative to corroborate finding of strong secondary meaning); *North Carolina Dairy Foundation, Inc. v. Foremost-McKesson, Inc.*, 92 Cal. App. 3d 98, 154 Cal. Rptr. 794, 203 U.S.P.Q. 1012 (1st Dist. 1979) (identification by 46% of 800 women shoppers held to be a substantial). The level of recognition is not surprising, as Wal-Mart has spent _____ in advertising and promotional activities and has used the "smiley face" design in connection with retail department store services for over ten years. See Deposition of Troy David Steiner Tr. 11, 16; Deposition of Gary F. Sholtes Tr. 46-47.

Finally, Loufrani's failure to police argument is both untimely and incorrect. Loufrani waived this argument by failing to clearly allege it. See Wal-Mart Defendant's Brief Section C. However, even if Loufrani is not deemed to have waived this argument, Loufrani has not demonstrated that Wal-Mart failed to enforce its service mark against *objectionable* third-party use. Loufrani's confused failure to police argument instead focuses on Wal-Mart's alleged failure to enforce against non-infringing uses, such as Wal-Mart's non-objection to Joe Boxer's use of a "smiley-face" design on boxer shorts or K-Mart's advertising that it carries Joe Boxer products. Loufrani has not alleged that Wal-Mart failed to enforce its service mark against third parties using identical, or similar, designs with retail department store services, or other services related thereto. Distorting Wal-Mart's intentions further allows Loufrani to make his favorite "straw man" argument—that Wal-Mart seeks to limit third-parties' use of the "smiley face" design "to those goods which Wal-Mart does not sell." Loufrani Br. at 21. Again, Loufrani has failed to introduce any evidence in the record that even suggests Wal-Mart has failed to police its service

mark against unauthorized use of the “smiley face” design with retail department store services or, conversely, that Wal-Mart has engaged in inappropriate enforcement efforts against third-party use of the “smiley face” design in connection with goods and/or services that Wal-Mart does not offer. In light of the foregoing, as well as the arguments and evidence presented in the Wal-Mart’s Defendant Brief, the TTAB should reject Loufrani’s unsubstantiated and inapplicable arguments.

II. CONCLUSION

Rather than undertake the serious and sustained effort to generate secondary meaning in the smiley face design for specific goods or services, Loufrani seeks to have the Board hold, without evidence and in the face of contrary evidence, that Loufrani’s addition (as a subordinate element) of a name for his Disclaimed Design imparts an inherent distinctiveness to his alleged “composite mark.” Loufrani has also mounted an attack on Wal-Mart’s Mark, in large part because of Wal-Mart’s successful and sustained efforts to generate secondary meaning for a limited class of services—retail department store services—stands in stark contrast to Loufrani’s attempted sleight of hand, *i.e.*, disclaim the dominant element of his Alleged Mark (the smiley face design) and trying to convince the Board that the addition (as a subordinate element) of a name for the Disclaimed Design imparts “inherent distinctiveness” across a range of hundreds of goods and services. Loufrani’s inappropriate arguments and tactics should not succeed.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of September, 2007, a true and correct copy of the foregoing Brief of Wal-Mart Store Inc. as Defendant in Opposition No. 91152145 (Redacted Version) has been served by first-class mail, postage prepaid, on Steven L. Baron and Natalie A. Harris, counsel for Franklin Loufrani.

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